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MEMORANDUM

Date: November 14, 2013 **Memo No.** K-21

To: Clallam Transit System Board Members

From: Wendy Clark-Getzin, P.E., General Manager

Subject: Budget Narrative for Proposed 2014 Operating and Capital Budget

In 2013, Clallam Transit will provide approximately 48,057 hours of fixed route service and 28,900 paratransit hours of service annually. The 2014 Operations budget is based on those service levels continuing. The 2014 major service change for Route 40 Sequim Shuttle will have no service hour or cost impacts.

The projected 2013 fixed route expenses will come in $97,940 less than the 2013 budget. The majority of the savings is based on attrition of senior employees. The projected 2013 paratransit expenses will come in $59,347 less than the 2013 budget. This is directly related to higher productivity in transporting customers. The paratransit revenue hours are below projected 2013 hours which is directly related to an increase in on-time performance and passengers per hour.

The 2014 budget reflects a 2.5 percent ATU contract provided wage increase for all represented employees as well as a 2.5 percent wage increase for non-represented employees. Paratransit and non-represented staff wage increases for cost of living have not occurred since January 2012 in response to uncertain sales tax revenue.

Staffing levels in 2013 dipped considerably in the maintenance department and to a lesser degree in all other departments, which is demonstrated in the projected 2013 wages and benefits being almost $300,000 under budget. With the retirement of a Vehicle Cleaner and Training Supervisor, resignation of a Maintenance Worker and Mechanic and three employees experiencing lengthy leaves under Labor and Industries support, the remaining staff has been commended for stretching across workloads. A hiring process to replace vacant positions has ensued and continues into 2014. The proposed 2014 wages and benefits were restored to the 2013 budget levels plus an additional $80,000 for wage increases. A new organizational chart, effective January 2014, reflects the final inclusion of paratransit drivers, supervisors, dispatchers and cleaners into the hierarchy of supervision and eliminates two positions in Administration. The Administration Services Manager and the Training Supervisor will transform into a Human Resources Administrator with residual responsibilities residing with the General Manager. The training for CDLs and the like will return to Operations Supervisors as identified in their job descriptions. Succession planning for the multi-faceted Administrative Assistants and Office Managers will be institutionalized with cross-training and additional supervision. The new Administrative Assistant will remove the pressure from the Office Managers to work overtime and will gain more outreach into the community for pass sales and distributing marketing materials.

The Maintenance Supervisor position continues to be vacant and eliminated from the 2014 budget. Duties are spread among designated staff and with an approximate $90,000 savings annually. An Operations Supervisor position will remain vacant to experience an ATU collaborative opportunity for succession planning. A six-month position for an Operator to be trained as a limited-duty Operations Support Supervisor will continue via an ATU-CTS MOU in 2014.

On the positive side of conservative budgeting, the 2014 operating budget reflects a return to a traditional training event. Clallam Transit will again host the local Peninsula Cup roadeo competition. The roadeo is a valued training tool which emphasizes safety and accuracy in order to avoid preventable accidents on our operator/drivers and professional driving skills for fuel economy and brake wear and tear. The CTS winner of the local division roadeo will be most likely funded by WSTIP and/or RTAP funds for their contestant role in the State roadeo. The maintenance department will also have an opportunity to hone mechanic skills at the new Maintenance roadeo at a location to be determined. A small travel training budget has been set aside for an individual CTS employee to be part of a Peninsula mechanics team.

The cost center of supplies has stayed considerably stable. Due to the 2012 Michelin Tire recall, that replaced nearly every tire on our fixed route fleet, our budget for tires experienced a significant decrease throughout 2013 with the expectation to continue into 2015. As these tires reach maximum life, staff is planning to increase incrementally the maintenance cost beginning in 2014 to a more representational cost of scheduled replacement.

In 2014, CTS has the opportunity to bolster its reserves by over $400,000 as the result of sales tax receipts which have exceeded the 2013 budget. A portion of this will be necessary to fund the 2014 capital program as grant funded projects require a local match, including the purchase of up to four additional vans. If construction on SR101 continues to bolster sales tax receipts for the Clallam County PTBA in 2014, we have an opportunity to stabilize staffing, implement paratransit efficiencies, modify service connections to build fixed-route ridership, (all things that do not require capital) and work on partnerships that sustain rural transportation. Staff recommends the revision of the Reserve and Designation Funding Policy to set the CTS guidelines of savings and access to reserve funds.

Wendy Clark-Getzin, PE
General Manager

CLALLAM TRANSIT SYSTEM

PROPOSED 2014 BUDGET

PUBLIC HEARING

November 18, 2013
1:00 PM

KEY ASSUMPTIONS for 2014

1) Sales Tax collections will be at least $5.86 million
   - same level as projected for 2013
   - 4.3 percent higher than the 2013 budget

2) Other Fare and local revenue will continue at same level as budgeted (and projected) for 2013

3) Diesel fuel prices assumed to average $3.45 per gallon

4) Two new vanpool groups; vanpool fees continue to recover costs

5) Route 50 Blyn service continues to be reimbursed through 2014

6) Non-represented staff will receive the same general wage increase as provided in ATU Labor Agreement, along with step or merit increases

CLALLAM TRANSIT SYSTEM

Projected 2013 Versus Operating Budget

Based on YTD September Actuals

REVENUE	BUDGET	PROJECTED
Cash Fares/Passes (including College Passes)	703,000	703,000
Special Services (Blyn Route 50)	80,320	80,320
Charter Fares	3,680	4,811
Paratransit/Medicaid	37,000	37,000
Advertising	15,000	15,000
Van Pool	318,000	317,000
Non transportation	5,000	7,869
Sales and Use Tax	5,620,000	5,860,000
State Special Needs Formula Funding	80,000	173,492
Rural Mobility Sales Tax Equalization	0	123,325
State Transportation Funding	100,000	103,269
FTA Operating Assistance Grant	725,000	350,000
RTAP Training Grants	13,000	9,914
TOTAL OPERATING REVENUE	$7,700,000	$7,785,000
Additional Revenue over Budget to Reserves		$85,000
EXPENSES		
Wages & Benefits	5,708,000	5,415,469
Fixed Route & Paratransit Fuel, Utilities	811,700	753,121
Vanpool (including Fuel)	318,000	317,000
Paratransit (excl Fuel, Wages/Benefits)	230,300	213,587
Fixed Route (excl Fuel,Wages/Benefits)	501,000	456,078
Admin/Public Ed (excl Salaries/Benefits)	131,000	162,856
Other Costs (Supplies, Services, etc.)	862,300	832,521
TOTAL OPERATING EXPENSES	$7,700,000	$7,318,111
Amount of Expenditures Below Budget to Reserves		$381,889
PROJECTED AMOUNT FOR RESERVES	$0	**$466,889**

CLALLAM TRANSIT SYSTEM

2013 Projected Reserve Funding Status

Projected as of October 2013

Reserves Projects Income Sources	Beginning Balance	2013 Activity	Est 2013 Contribution	12/31/13 Projected	*Target*
Vehicle Replacement Reserve	**$731,558**		$236,262	**$388,000**	*$312,000*
Mini-buses (3)		($96,153)			*[min: next*
40' Buses (6)		($495,356)			*biennium match]*
Sale of Surplus Vehicles		$5,689			
DoE "Scrapping" Grant		$6,000			
Major Project (Match) Reserve	**$210,000**		$6,712	**$178,000**	*$167,200*
Radio/MDT/Dispatch System/FN		($19,276)			*[min: match for*
Major Engine Repair, etc.		($16,975)			*available funding]*
Owl Creek Underpass Design		($18,233)			
Grant Reimbursement Pending		$15,772			
Facility Maintenance Reserve	**$69,000**		$7,600	**$87,600**	*$87,600*
Scheduled Major Maintenenace		($15,000)			*[TDP 6 yrs of*
Energy Conservation (HVAC, Lights, etc)		($32,416)			*project funding]*
Forks TC Breakroom/Security/Para Relo		($103,303)			
New & Replacement Shelters		($71,987)			
Projected 2013 Interest Income		$15,483			
Projected 2013 Facility Rental		$32,208			
Grant Reimbursement Pending		$186,015			
Vanpool Reserve	**$11,000**		$0	**$3,532**	*$0*
Propane Vans (12)		($7,468)			*[should be self-funded]*
Operating Reserve	**$1,500,000**			**$1,600,000**	*$2,600,000*
Contribution/(Draw)		$0	$100,000		*[35% of Budget]*
Employee Leave Balances	**$503,814**			**$505,000**	*$505,000*
			$1,186		*[=outstanding liability]*
Working Capital	**$517,244**			**$632,373**	*$625,000*
			$115,129		*[1 to 3 mo expenditures]*
Total Reserves/Working Capital	**$3,542,616**	**($615,000)**	**$466,889**	**$3,394,505**	

CLALLAM TRANSIT SYSTEM

PTBA 2014 Sales Tax Growth Assumptions

as of October 2013

TRANSIT AGENCIES	YTD Aug 2013*	Proposed 2014
AVERAGE of agencies with 2014 forecast	***6.3%***	***2.0%***
Pierce	-4.8%	
Valley	1.5%	
Kitsap	3.9%	3.0%
River Cities	4.0%	
Intercity	4.0%	3.0%
Spokane	5.9%	1.5%
Whatcom	6.5%	3.0%
Yakima	6.7%	0.0%
Everett	6.7%	2.8%
Benton-Franklin PTBA	6.8%	
King County	7.3%	
Skagit	8.4%	
Union Gap	9.3%	
Community	10.7%	
C-Tran	13.3%	2.5%
Link	15.2%	2.5%
Rural Transit Agencies Eligible for Rural Mobility Formula Funding "Sales Tax Equalization"		
Columbia	-25.8%	
Mason	-2.9%	1.5%
Grays Harbor	-2.3%	0.0%
Clallam	**5.5%**	0.0%
Island	6.0%	-5.0%
Asotin	7.7%	
Twin Transit	9.2%	
Pacific County	12.7%	6.3%
Grant	12.9%	5.0%
Jefferson	16.3%	

Clallam Transit's 2013 Sales Tax growth rate is below the group average, and lower than two-thirds of the rural transits, so some allocation of Rural Mobility Formula funding is likely (but not certain)

*Source: WA DoR

CLALLAM TRANSIT SYSTEM

Local Agency Sales Tax Growth Assumptions

	Budgeted for 2013	YTD 2013 vs 2012	2014 Budget Assumption
SEQUIM	flat to '12	4%	1-2% vs 2013 projected
Retail Sales growth expected to continue in 2014			
City Hall project will begin in 2014			
PORT ANGELES	flat to '12 budget	-3%	flat to 2013 budget
Retail Sales tax revenue $30K below 2012 YTD			
FORKS	flat to '12	-4%	flat to 2013 budget
Retail sales flat in 2013 and 2014			
Three large construction projects totaling $5 mil in 2014			
COUNTY	7% above actual '12	9%	flat to 2013 projected
Higher than expected growth in 2013 due to US101 project		thru Aug'13	

SUMMARY:

Other budget managers are cautiously optimistic about continued growth of sales tax revenue, driven by an increase in construction project spending with no anticipated reduction in retail/lodging revenue.

PROPOSED for CLALLAM TRANSIT:

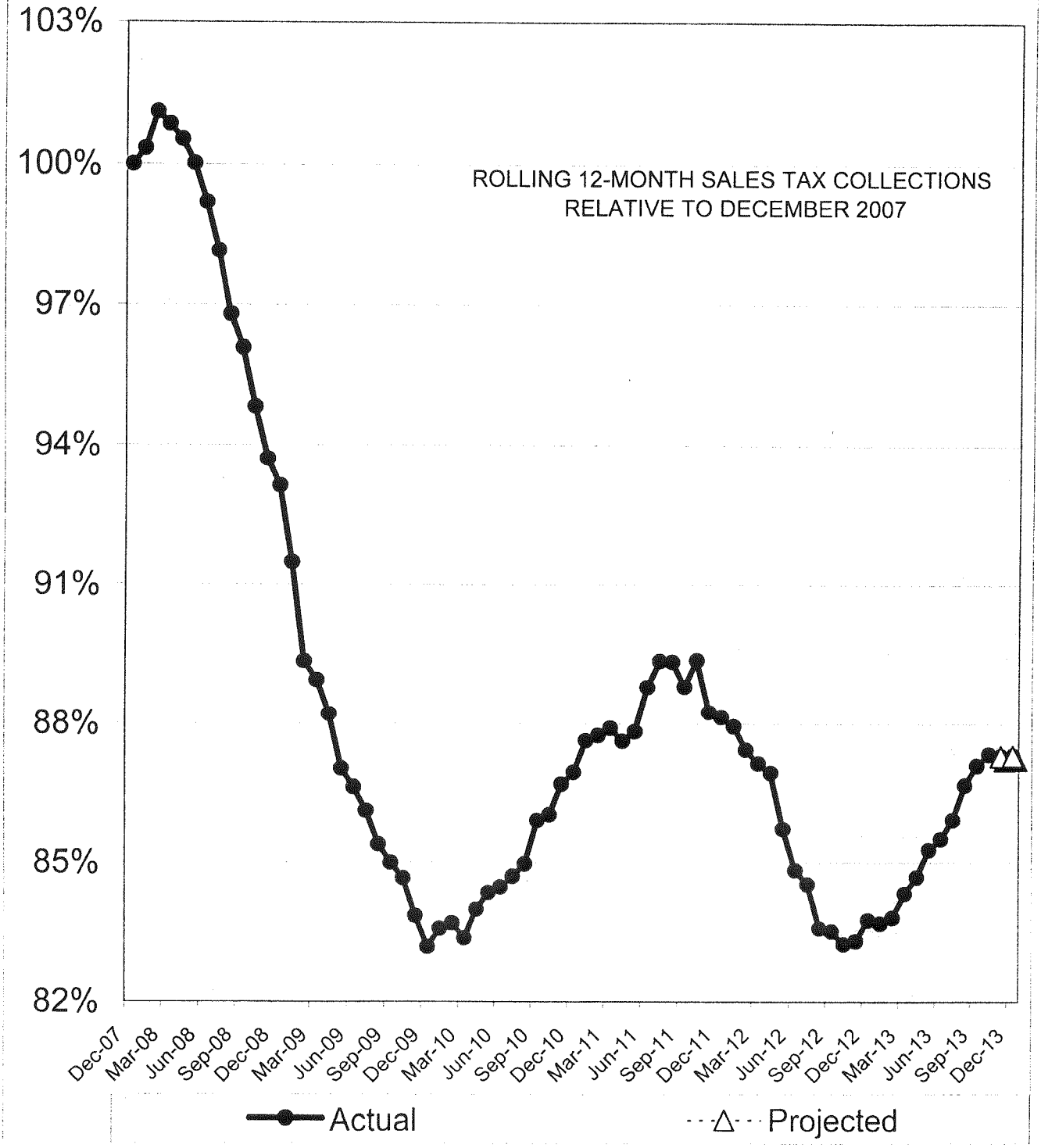
Budget 2014 sales tax revenue at the same level as projected 2013 actual, which will be 4.3 percent higher than the 2013 budget.

The projected use of capital reserves in 2014 will be less than 2013's contribution to reserves due to projected favorable performance versus the budget.

Any increase in 2014 sales tax above projected 2013 levels will provide an opportunity to fund reserves.

CLALLAM TRANSIT SYSTEM

OCTOBER 2013 SALES TAX AT 87.3% OF 2007 LEVELS

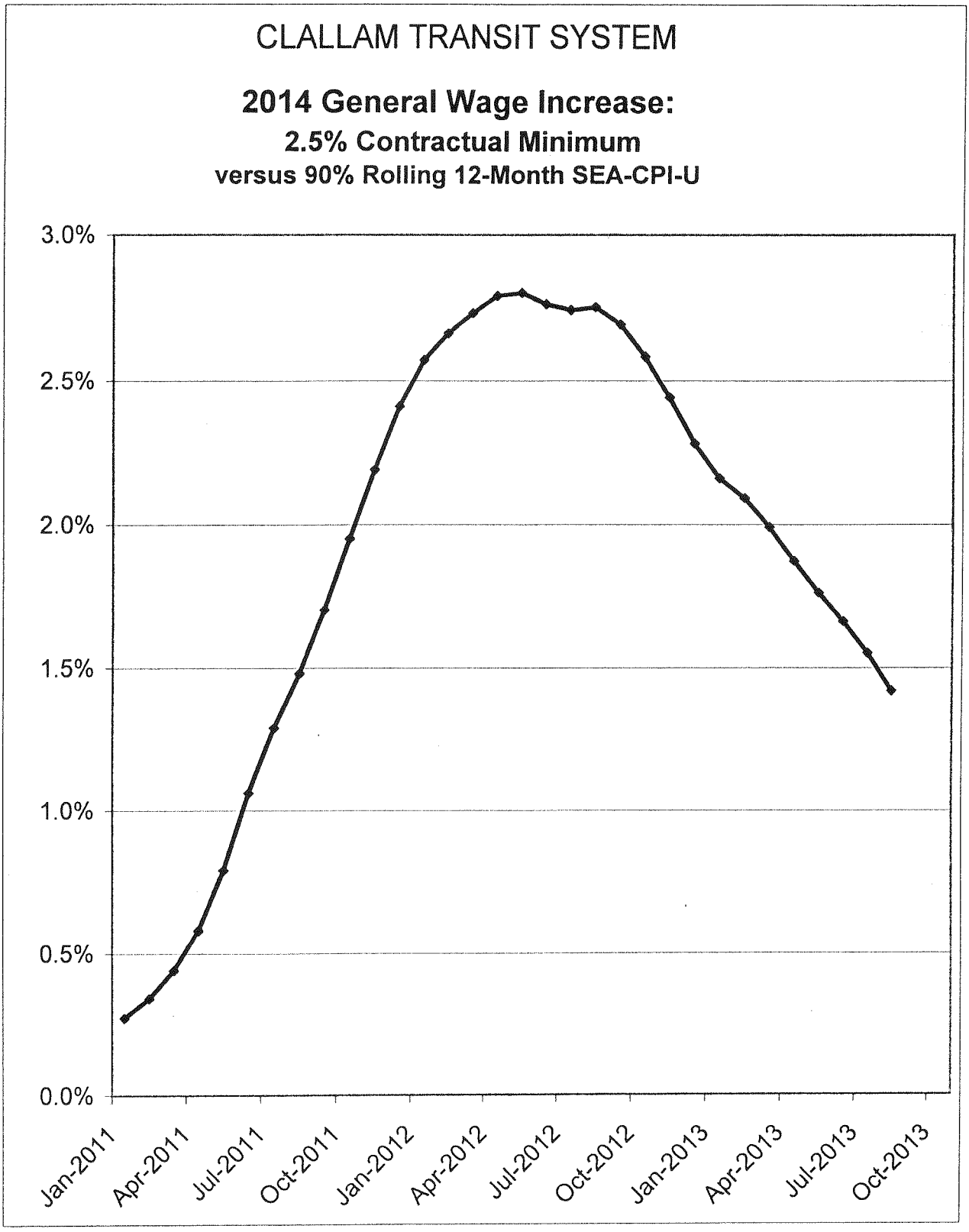


CLALLAM TRANSIT SYSTEM

2014 General Wage Increase:

2.5% Contractual Minimum

versus 90% Rolling 12-Month SEA-CPI-U



STATUS AS OF AUGUST 2013

(October SEA CPI-U announced Nov 15)

Contractual Minimum Wage Increase for 1/1/2014: **2.50%**

Current 90% 12 month rolling average CPI-U Seattle: **1.42%** **- Not likely to exceed minimum**

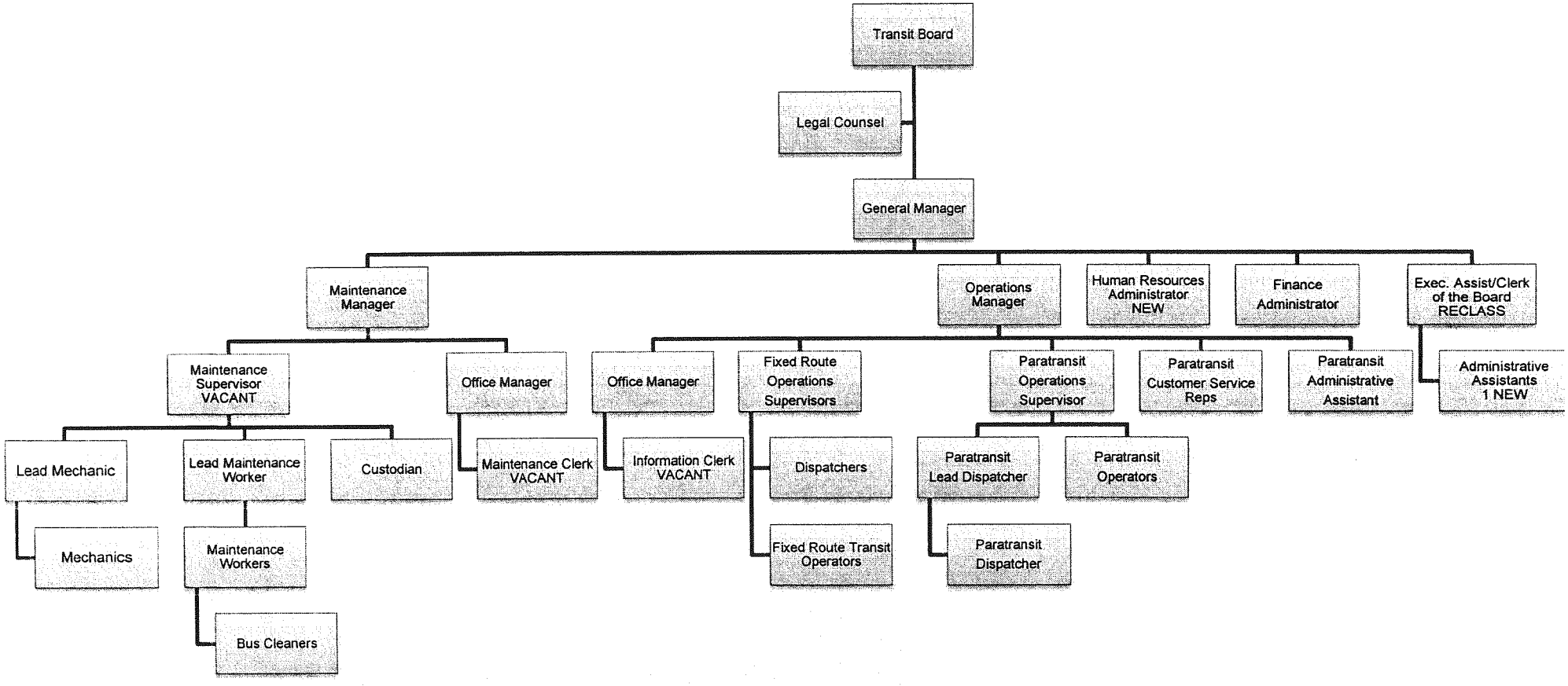
CLALLAM TRANSIT SYSTEM

Fuel Price Assumption

TRANSIT FORECAST for DIESEL ($/gal)	Projected 2014
C-Tran	$3.75
Everett	$4.00
Grant	$3.40
Intercity	$3.72
Island	$4.25
Kitsap	$3.75
Link	$3.50
Mason	$3.75
Pacific County	$4.15
Skagit	$4.00
Yakima	$3.10
The following agencies base their budgets on forecasts from the Energy Information Administration:	
Whatcom	$3.08
Spokane (adds 1/2 standard deviation of the historical price variance)	$3.36
AVERAGE	**$3.68**
MEDIAN	**$3.75**

YTD September 2013 Average Bulk Diesel Price:	**$3.10**
CLALLAM PROPOSED BUDGET PRICE:	**$3.45**
Projected 2014 diesel purchases:	200,000 gal

CLALLAM TRANSIT SYSTEM
ORGANIZATIONAL CHART
as of JAN 1, 2014



CLALLAM TRANSIT SYSTEM

PROPOSED ANNOTATED 2014 OPERATING BUDGET

REVENUE	PROJECTED 2013	BUDGET 2013	PROPOSED 2014	vs 2013 Budget
Assume fare, advertising revenue remains at 2013 levels				
Cash Fares/Passes	703,000	703,000	703,000	
Special Services (Blyn Route 50)	80,320	80,320	80,320	
Charter Fares	4,811	3,680	4,680	
Paratransit/Medicaid	37,000	37,000	37,000	
Advertising	15,000	15,000	15,000	
Add two new groups during year (note expenses = revenue)				
Van Pool	317,000	318,000	330,000	
Fewer new Reduced Rate Fare Pases issued				
Non transportation	7,869	5,000	5,000	
Set 2014 Budget to equal 2013 sales tax levels				
Sales and Use Tax	5,860,000	5,620,000	5,860,000	
Reimbursed for entire biennium grant in 2013				
State Special Needs Formula Funding	173,492	80,000	0	
If receive Sales Tax Equalization in 2014, apply to capital reserves				
Rural Mobility Sales Tax Equalization	123,325	0	0	
State and Federal Operating Grants disbursed per formula				
State Transportation Funding	103,269	100,000	105,720	
FTA Operating Assistance Grant	350,000	725,000	650,000	
RTAP Training Grants	9,914	13,000	9,280	
TOTAL OPERATING REVENUE	$7,785,000	$7,700,000	**$7,800,000**	1.3%

EXPENSES	PROJECTED 2013	BUDGET 2013	PROPOSED 2014	vs 2013 Budget
Full staffing levels, 2.5% general wage increase, plus merit/step increases				
Wages & Benefits	5,415,469	5,708,000	5,786,000	1.4%
Lower volumes from better fuel economy partially offsets higher prices				
Fixed Route & Paratransit Fuel, Utilities	753,121	811,700	802,200	-1.2%
Add two new groups during year				
Vanpool (including Fuel)	317,000	318,000	330,000	3.8%
Expect cost of supplies & services to increase				
Other Costs (Supplies, Services, etc.)	832,521	862,300	881,800	2.3%
TOTAL OPERATING EXPENSES	$7,318,111	$7,700,000	**$7,800,000**	1.3%

CLALLAM TRANSIT SYSTEM

2014 CAPITAL/PROJECT PROPOSED BUDGET

CONTINUING 2013 PROJECTS WITH FUNDING	Total Cost	Outside Funding	Net Local Match From Reserves
Equipment for Six 2013 Low Floor 40' Buses	30,000	24,000	6,000
Bus Livability - CAD/AVL/IVR Software Funding	77,000	61,600	15,400
Sequim TC - ITS or Facility Related Improvements	90,000	72,000	18,000
PA Gateway - Lower Energy Costs (Lighting)	20,000	17,300	2,700
CTS Admin/Maintenance Bldg - LED Lighting/Heat Pump	177,000	153,100	23,900
Bus Stops at US101/Lake Crescent Lodge	180,000	180,000	*Incl County support*
WA VIP Program Funding for 8 Expansion Vans	301,000	247,000	54,000
Owl Creek Pedestrian Tunnel (part of Hwy 101 widening)	450,000	415,200	34,800
Subtotal	$1,325,000	$1,170,200	$154,800
Anticipated proceeds from sale of vans replaced in 2013		60,800	(60,800)
CTS Match for above projects funded from capital reserves			$94,000
POTENTIAL WSDOT FUNDED PROJECTS			
Regional Mobility grant covers P&R/Shelters/Access Paths	300,000	300,000	*matched by STP*
Comprehensive Plan Update	50,000	40,000	10,000
Replace Four Paratransit Cutaways with Low-Floor Vehicles	660,000	561,000	99,000
Subtotal	$1,010,000	$901,000	$109,000
POTENTIAL STP/OTHER FUNDED PROJECTS			
Replace four support vehicles	120,000	104,000	16,000
Bus Stops 18th St. Overlay	30,000	30,000	*PA project match*
Bike Lockers	60,000	52,000	8,000
Subtotal	$210,000	$186,000	$24,000
TOTAL PROJECTS with GRANT FUNDING	$2,545,000	$2,318,000	$227,000
INTERNALLY FUNDED PROJECTS			
Scheduled major maintenance projects	30,000		30,000
Emergency Capital Replacement	25,000		25,000
Funded by Investment Income		14,840	(14,840)
Funded by Facility Rental Income		32,160	(32,160)
Sales of Assets		3,000	(3,000)
Subtotal	$55,000	$50,000	$5,000
PROJECTED TOTAL CAPITAL/PROJECT SPENDING	$2,600,000	Outside	Reserves
Total of Funding Sources for Above Projects		$2,368,000	$232,000
PROPOSED OPERATING BUDGET	$7,800,000		
PROPOSED 2014 SPENDING AUTHORITY	**$10,400,000**		

CLALLAM TRANSIT SYSTEM

2014 Projected Reserve Funding Status

Projected as of October 2013

Reserves Projects Income Sources	Beginning Balance	2014 Activity	Est 2014 Contribution	12/31/14 Projected	*Target*
Vehicle Replacement Reserve	**$388,000**		-	**$286,000**	*$286,000*
Mini-buses (4)		($99,000)			*[min: next*
40' Buses (equipment)		($6,000)			*biennium match]*
Sale of Surplus Vehicles		$3,000			
Major Project (Match) Reserve	**$178,000**		-	**$58,800**	*$58,000*
Radio/MDT/Dispatch System/FN		($15,400)			*[min: match for*
Major Engine Repair, etc.		($25,000)			*available funding]*
Owl Creek Pedestrian Tunnel		($34,800)			
Replace Support Vehicles		($16,000)			
Sequim Transit Center		($18,000)			
Comprehensive Plan Update		($10,000)			
Facility Maintenance Reserve	**$87,600**		-	**$70,000**	*$84,000*
Scheduled Major Maintenenace		($30,000)			*[TDP 6 yrs of*
Energy Conservation (HVAC, Lights, etc)		($26,600)			*project funding]*
Bike Lockers		($8,000)			
Projected 2013 Interest Income		$14,840			
Projected 2013 Facility Rental		$32,160			
Vanpool Reserve	**$3,532**		-	**$10,332**	*$0*
Propane Vans (8)		($54,000)			*[should be*
Sale of Vans Replaced in 2013		$60,800			*self-funded]*
Operating Reserve	**$1,600,000**			**$1,600,000**	*$2,600,000*
Contribution/(Draw)		$0	-		*[4 mo expenditures]*
Employee Leave Balances	**$505,000**			**$510,000**	*$510,000*
			5,000		*[=outstanding liability]*
Working Capital	**$632,373**			**$627,373**	*$650,000*
			(5,000)		*[1 to 3 mo*
					expenditures]
Total Reserves/Working Capital	**$3,394,505**	**($232,000)**	-	**$3,162,505**	

CLALLAM TRANSIT SYSTEM
RESERVE AND DESIGNATED FUNDING POLICY

Section 1. Designation of Funds

The BOARD recognizes that the prudent management of cash allows the Clallam Transit System to meet its current and long-term obligations and have resources to acquire, maintain, and replace its capital assets in a timely fashion. While the BOARD may amend its targets at any time, the following funds are designated and established, each with its own purpose and target funding levels, with the intention that the unexpended balance of each fund will carry over from one year to the next (although expenditures will be anticipated in each annual budget). The Clallam Transit System's Treasurer (the Finance Administrator), as part of the annual long-range planning and budget adoption process, will present schedules for each reserve fund showing the needed contributions for at least the future five years, as well as report periodically on the status of each fund.

Section 2. General Fund

The General Fund, consisting of such checking, savings, and investment accounts as the Clallam Transit System's Treasurer shall deem prudent to establish and maintain, continues to be the primary fund for the purpose of depositing receipts received by and disbursing funds for the operations of the Clallam Transit System, including the redemption of checks and warrants, and the investment of funds held by the Clallam Transit System. In addition, this fund shall be used for the purpose of transferring funds to and from the Washington State Local Government Investment Pool or other financial institutions for investment purposes. Management of these funds will be governed by the Clallam Transit System's financial Investment Policy (last updated by Resolution 10:2007).

Section 3. Petty Cash and Ticket/Pass Sales Funds

The Clallam Transit System's Treasurer, in consultation with the General Manager, shall establish appropriate petty cash funds to advance or reimburse monies for expenditures of less than $50 or to provide change to the public for the purchase of bus passes. Each Petty Cash Fund Box established will have designated custodians, a record keeping system, an oversight reconciliation procedure and a funding limit which shall not be in excess of $500, with an overall limitation of $1,000 for all combined petty cash funds.

Section 4. Employee Benefit Funds

The Clallam Transit System's Treasurer may establish such benefit or trust funds as needed for the purposes of receiving, investing, monitoring, and disbursing monies pursuant to established employee benefit programs. These funds may be in separate accounts or deposited in the General Fund and may be administered by the Clallam Transit System's Treasurer or a designated administrative agent or custodian, as appropriate to the requirements of the employee benefit program. Examples of employee benefit funds are: Flexible Healthcare Spending Accounts (administered by 3rd party administrator), Supplemental Post-employment Heathcare Benefits Program and Accrued Vacation Payable (part of the General Fund, but recorded as a liability of Clallam Transit).

Section 5. Facility Maintenance Reserve Fund

The Facility Maintenance Reserve Fund has been established to set aside monies (within the General Fund investment accounts) for scheduled or emergency major maintenance projects (exceeding $5,000 in cost) of the System's facilities and grounds such as roof repairs, compressor replacement, and painting of the buildings. Such intermittent or unexpected costs would not be normally budgeted in the routine annual maintenance budget. The Reserve Fund

goal is to contribute a reliable level of annual funding sufficient to support one-sixth of the anticipated locally funded portion of projects over a rolling six-year period.

Section 6. Vehicle Replacement Reserve Fund

The Vehicle Replacement Reserve Fund has been established to set aside monies (within the General Fund investment accounts) for the acquisition of replacement and additional passenger-carrying vehicles on a scheduled basis. The schedule shall be reviewed each year as part of the long range Transit Development Plan and/or annual budget development process. Contribution levels will be established to ensure that matching funds for grants are available to acquire vehicles as scheduled. The minimum fund balance should be the value of the match required for grant application preparation.

Section 7. Vanpool Replacement Reserve Fund

The Vanpool Replacement Fund has been established to set aside monies (within the General Fund investment accounts) to provide for replacement of vanpool vehicles due to obsolescence or end of useful life. The vanpool program for commuters is self-sustaining by user fees. A portion of user fees above contributing to vanpool program fuel, training, maintenance and administrative support will be set-aside for this fund.

Section 8. Major Project Reserve Fund

The Major Project Reserve Fund is established to set aside monies (within the General Fund investment accounts) to provide for the funding, whether in whole or as the match for a grant, of projects and items exceeding $5,000 in cost not covered by other reserve funds. Examples of projects are service vehicles replacement, shelters and bus-stop improvements, bus engine replacements and other major pieces of equipment, computers, software, and peripheral upgrades and purchases, as well as completion of major planning projects or the design and installation of major systems such as the radio communication network. Costs of such projects would not be normally budgeted in the routine annual budget. The Reserve Fund goal is to provide a level of annual funding sufficient to cover the anticipated projects over a rolling six-year period relevant to the Transit Development Plan (TDP). The minimum level of funding is the amount equal to the required local match for grant funds currently available to CTS.

Section 9. Operating Reserve Fund

In order to provide a consistent level of service over a multi-year period, an Operating Reserve Fund has been established to set aside monies (within the General Fund investment accounts) to enable the Clallam Transit System to have funds on hand to cover fluctuations in operating revenue or unexpected increases in operating costs. In order to provide sufficient funding to cover variations in sales tax revenue, the funding level should be at a minimum four months of the current year's or past two years' operating expense budget, whichever is greater. The Operating Reserve will be replenished at year-end if revenue exceeds the System's expenses. The Board shall review the use of Operating Reserve Funds as part of the six-year TDP budgeting process and approve the reserve use in the annual budget process. If the need arises during the year, the Board shall review and approve any proposed use of the reserves The Treasurer will report the status of the Operating Reserve Fund on a monthly basis.

Section 10. Undesignated Funds and Budgetary Earmarks

Any fund balance in the General Fund not designated through a reserve fund shall be considered undesignated and available for use for any appropriate purpose, including maintenance of an appropriate level of working capital. The BOARD may also earmark line items that appear consistently in the annual budget to cover expenditures in a specific area (such as bus stop/pull-out improvements and emergency capital replacement) without establishing a specific reserve fund.

Section 11. Working Capital Levels

For purposes of this policy, working capital is calculated by adding:

- Receivables expected to be paid in the next month,
- plus Available Cash (total Cash and Investments less amounts designated for Reserves),
- minus Accounts Payable due as of month-end.

This balance fluctuates throughout a month and is driven by when items are purchased and the billing cycle for grants. At a minimum, the working capital level should be at least one month's operating expense (as a proxy for the next month's cash requirements). Optimally, working capital should be equal to three months of operating expenses.

Section 12. Supersedes Prior Resolutions

CTS Resolution No. 49:2009 is hereby rescinded.

DRAFT